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# Report of the Special Committee on Preferences on its twenty-second session

held at the Palais des Nations, Geneva,
from 23 to 27 October 1995

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## INTRODUCTION

1. The twenty-second session of the Special Committee on Preferences was held from 23 to 27 October 1995. In the course of its session, the Special Committee held seven plenary meetings (187th-193rd). In addition, private and confidential bilateral consultations were also held on individual schemes. This report gives an account of the deliberations in plenary meetings.

### Introductory statement

2. The **Deputy to the Secretary-General of UNCTAD** said that the twenty-second session of the Special Committee had been entrusted with the task of carrying out a comprehensive policy review of the GSP with the objective of revitalizing this important multilateral trade policy instrument. The new trading environment brought about by the successful conclusion of the Uruguay Round had given rise to the need to undertake such a policy review. For many products, tariffs had been lowered or eliminated, for many others, high and sometimes prohibitive tariffs persisted. The gradual reintegration of agriculture, textiles and clothing into the multilateral trading system were major developments which the policy review had to accommodate.

3. The original objectives of the GSP remained valid in the post-Uruguay Round era. The GSP continued to be a trade policy tool which aimed to increase the export earnings of the developing countries, promote their industrialization and accelerate their rate of economic growth. Through the promotion of these objectives, the GSP could contribute substantially to development and to the integration of the developing countries into the global economy.

4. While the GSP had produced unmistakable benefits in terms of export growth in beneficiary countries, various restrictive measures, such as limited product coverage, insufficient tariff cuts, unilaterally imposed graduation measures and excessive stringency of rules of origin, continued to adversely affect the GSP as a multilateral tool for development.

5. Moreover, the three basic principles that the GSP should be general, non-reciprocal and non-discriminatory had not been fully observed from the outset, and divergence from them had been growing over time. The increasing tendency to link GSP benefits to conditions which were not trade-related introduced a certain degree of reciprocity inconsistent with the nature of the GSP.

6. There was ample scope to revitalize the GSP. The need to correct the "mismatch" between the limited product coverage of many GSP schemes and the export structure of the large majority of the developing countries remained high on the reform agenda. In particular the market access results of the Uruguay Round Agreement on Agriculture had opened up new possibilities for the GSP. In the same vein, the introduction of textiles and clothing products into all GSP schemes for all beneficiaries was more than overdue.

7. A priori restrictions such as quotas and tariff ceilings undermined the transparency and predictability of GSP schemes. More determined efforts were required to abolish such restrictions. In one major new GSP scheme, all quotas and tariff ceilings for industrial products had recently been

eliminated in one bold step, while the preferential rate of duty was now modulated depending on the sensitivity level of each product.

8. Such modulation of preferential tariffs could not only facilitate the elimination of a priori restrictions, but also the inclusion of products hitherto not covered by GSP schemes. However, the effectiveness of GSP schemes as tools for development hinged crucially on the depth of tariff cuts. The modulation of tariffs needed to offer preferential margins which were sufficiently deep to allow and encourage exports from beneficiary countries.

9. Since the late 1980s, some preference-giving countries had started applying graduation measures under their own definitions and criteria. The argument had been advanced that graduation would lead to a redistribution of GSP benefits to other beneficiary countries further down the development path. However, empirical evidence indicated that graduation by itself might contribute little to such redistribution.

10. Careful design and prudent management of graduation mechanisms would be called for to keep at bay adverse implications which ran counter to the objectives of both the GSP and the graduation process itself. As an overall target, preference-giving countries should be encouraged to stabilize - or preferably increase - the total value of their GSP schemes.

11. Moreover, the criteria for graduation had to be firmly based on the objectives underlying the GSP. Country-product graduation should be guided by criteria which imposed a strict test of competitiveness and by additional parameters which allowed a realistic assessment of a country's level of economic development. Yardsticks for full country graduation could combine indicators of both economic and social development.

12. Graduation should be phased in over a period of time sufficiently long to allow the economy to adjust. On the other hand, there should be provisions to permit re-establishment as a GSP beneficiary if the criteria for graduation were no longer fulfilled.

13. Moreover, preference-giving countries were invited to refrain from imposing graduation criteria unilaterally and to engage in multilateral consultations before they introduced new graduation criteria. When surges of preferential imports caused, or threatened to cause, injury to domestic industries, preference-giving countries might have recourse to safeguard measures modelled on Article XIX of the GATT and the WTO Agreement on Safeguards.

14. The Uruguay Round Agreement on Rules of Origin had provided new impetus to progress towards their harmonization. Within UNCTAD, possible ways to harmonize, simplify and improve GSP rules of origin had been examined in July 1995 by the Intergovernmental Group of Experts on Rules of Origin. He invited the Committee to endorse the agreed conclusions of this expert group with regard to the harmonization of GSP rules of origin.

15. In the GSP context, special measures for LDCs had been implemented by almost all preference-giving countries. None the less, LDCs were still unable to take full advantage of the system. The special treatment accorded to the

LDCs needed to be strengthened to correct the situation under which they had benefited less from the GSP than other preference-receiving countries.

16. Technical cooperation activities had proven to be an important avenue to provide recipient countries with the necessary expertise to resolve difficulties encountered in GSP utilization and, in general, in their external trade. The UNCTAD Technical Cooperation Programme on the GSP and Other Trade Laws should be strengthened further with the assistance of both preference-giving and preference-receiving countries. It also needed to place greater emphasis on new requirements of the post-Uruguay Round context.

17. He noted that there was growing interest on the part of developing countries in extending the GSP to new areas such as services or investment. In most of the new areas, barriers to trade did not take the form of measurable tariffs or other quantifiable parameters. Conventional GSP-type preferences, therefore, would have to be replaced by tailor-made mechanisms of special and differentiated measures. Much more study would be required to prepare a set of concrete and practicable proposals.

## Chapter I

### REVIEW OF THE IMPLEMENTATION, MAINTENANCE, IMPROVEMENT AND UTILIZATION OF THE GENERALIZED SYSTEM OF PREFERENCES, RULES OF ORIGIN AND TECHNICAL ASSISTANCE

(Agenda item 3)

### POLICY REVIEW: TOWARDS REVITALIZATION OF THE GSP

(Agenda item 4)

18. For its consideration of these items, the Special Committee had before it the following documentation:

"Eighteenth general report on the implementation of the generalized system of preferences", report by the UNCTAD secretariat (TD/B/SCP/12)

"Report of the Intergovernmental Group of Experts on Rules of Origin" (TD/B/SCP/14-TD/B/SCP/AC.1/3)

"Report of the Second Ad Hoc Expert Group on the Generalized System of Preferences" (TD/B/SCP/15)

"Policy options and proposals for the revitalization of the generalized system of preferences", report by the UNCTAD secretariat (TD/B/SCP/13 and Corr.1) and "Statistical Annex" (TD/B/SCP/13/Add.1).

19. The **Officer-in-charge of the GSP Section**, introducing item 3, said that there had been no dramatic changes in the utilization rates of GSP schemes. For all OECD preference-giving countries, imports which had actually received preferential treatment in 1993 had amounted to about 47 per cent of imports covered by GSP schemes - a slight decrease as compared to the utilization rate of 1992. Covered imports amounted to somewhat more than half of MFN dutiable imports by OECD preference-giving countries from beneficiaries of their schemes.

20. The most prominent change had been the introduction of a completely revised GSP scheme for industrial products by the European Union. As the preamble of the scheme stated, the revision had been undertaken with a view to making the scheme "more development-oriented, focusing on the countries which have most need of it, i.e. the poorest countries". Fundamental changes had been made to the whole structure of the scheme, which revolved around three key features, namely tariff modulation, country-sector graduation and special incentive arrangements. All quotas and tariff ceilings had been abolished.

21. Following the implementation of the Uruguay Round, the improvement of GSP coverage for agricultural products constituted a major task to be tackled. Some countries had undertaken first steps comprising both tariff reductions and extensions in product coverage. In a few cases, the extension in the coverage of agricultural products had been substantial. The new scheme of Norway provided one example. The proposals for the new GSP scheme of Canada also envisaged an important extension of product coverage in the agricultural sector. For its part Japan had introduced various tariff reductions on

agricultural products. The aim of these reductions was to maintain the preferential margin following the MFN tariff cuts agreed during the Uruguay Round. It was hoped that future revisions of GSP schemes by preference-giving countries would aim for the comprehensive inclusion of the agricultural sector, with preferential margins that were sufficiently large to stimulate agricultural exports from beneficiary countries.

22. Other notable developments in the conduct of GSP schemes included those in Australia, where the last stage of phasing out GSP preferences for all developing countries except the LDCs and the South Pacific Island Territories had been put in place from 1 July 1994. A new scheme had been introduced by Belarus in 1995.

23. With regard to agenda item 4, document TD/B/SCP/13 put forward some policy options designed to revitalize the GSP. The main elements of these proposals concerned the extension of product coverage; exoneration from tariffs; the adoption of criteria for country-product and country graduation compatible with the objectives underlying the GSP; and the strengthening of special treatment for the least developed countries, particularly in the areas of product coverage, rules of origin and technical cooperation.

24. The issue of appropriate criteria for graduation under the GSP was analysed in greater detail in document UNCTAD/ITD/GSP/24, which analysed alternative criteria for graduation, with an emphasis on objective criteria, and presented some recommendations.

25. Finally, the delivery of technical cooperation activities in 1994 and the first half of 1995 had decreased in comparison with previous years. This was due mainly to a decline in the availability of resources. However, in the period under consideration, some 28 activities had been undertaken, including 17 seminars and 11 advisory missions. Over 900 participants from preference-receiving countries had been trained. The UNCTAD Technical Cooperation Programme on the GSP and Other Trade Laws was increasingly being requested to deal with problems or difficulties encountered in the utilization of other preferential trade arrangements.

26. The spokesman for the **Asian Group** (Islamic Republic of Iran) said that the current session of the Special Committee on Preferences was being held at a time when reports of new conditionalities were abounding. GSP schemes and their functioning had been the subject of debate after the conclusion of the Uruguay Round, which had resulted in tariff preferences being eroded by the MFN system and WTO agreements.

27. The GSP schemes, which were handicapped by strict quantitative ceilings and restrictions and narrow margins of preferences, did not reflect the immense market potentials and market opportunities that existed for developing countries' products, especially traditional products, which could easily capture a larger share of the market and consumer spending. It seemed obvious that the post-Uruguay Round situation had resulted in the erosion of preference margins. However, recent developments in the GSP schemes were clearly indicative of the fact that tariffs or trade preferences were not regarded as being eroded spontaneously by the emerging MFN system and WTO

agreements. Even before the MFN system had demonstrated any concrete effect upon preferences, deliberate acts of trimming trade preferences could be noticed.

28. The new schemes introduced by the European Union and others not only did not help developing countries to develop their productive potentials in new areas but also tended to erode their comparative advantages in traditional exports.

29. The category of very sensitive products in the European Union's scheme surprisingly touched upon the range of products that historically had been of strategic importance to developing countries. Disguised protectionism was thus lurking behind GSP benefits. A 15 per cent preferential margin for the said category of products was tantamount to virtual abolition of the GSP for many smaller exporters and even for larger ones who were menaced by non-trade-related conditionalities such as labour standards, environmental standards and eco-labelling practices, etc. The Asian Group was opposed to the introduction of non-trade conditionalities and incentives in trade matters, particularly in the GSP mechanism.

30. Japan's quota restrictions in its GSP scheme had adverse effects on the market access of traditional products of developing countries. The removal of the ceiling system by Japan and other countries could represent a gesture towards improving the generalized system of preferences.

31. Graduation criteria, in so far as they were based upon the beneficiary countries' export shares, were just another pitfall for many developing countries, which were already facing market access bottlenecks in preserving and strengthening their comparative advantages. He emphasized that graduation should be based on objective criteria that had been agreed multilaterally.

32. The prevailing rules of origin added to the complexities and biases of schemes and would further hit small-scale producers and exporters. The application of donor-country content rules and full global cumulation concepts by all preference-giving countries would contribute considerably to lessening the restrictive nature of the rules of origin. He hoped that preference-giving countries would realize the importance and crucial impact of their moves in this respect and at this juncture. Revisions of the evolving schemes and their implications for the structural reforms being implemented by developing and least developed countries should be studied by the UNCTAD secretariat. The risk of opening a new era of protectionism forged by a biased manipulation of the generalized system of preferences should be avoided.

33. The representative of **Bangladesh**, speaking on behalf of the **least developed countries**, said that while wide coverage had been provided in the schemes of a number of preference-giving countries, the exclusion of textiles, clothing, carpets, footwear, leather goods, etc., from some GSP schemes had substantially reduced the coverage of industrial products.

34. The inability of LDCs to benefit fully from GSP schemes was due to unfavourable rules of origin which allowed only regional cumulation, while global cumulation would be preferable. The rules of origin were particularly

unfavourable in one GSP scheme regarding textile products, because different rules were applied for textile fabric with respect to garments, while the application of identical rules would be preferable.

35. The graduation scheme in one particular case had placed the LDCs in a difficult situation. According to the scheme in question, if exports from a developing country exceeded 25 per cent of all beneficiary exports in a particular sector, GSP treatment of the country would be withdrawn. It appeared that this would also apply to LDCs, and LDCs might therefore be denied preferential access for exports where they had a comparative advantage.

36. The erosion of GSP margins resulting from the Uruguay Round Agreements, particularly in the area of tropical products and natural-resource-based products, would make assistance to LDCs through improvement of GSP schemes a priority task for the international community.

37. The inclusion of ready-made garments in all GSP schemes, particularly for LDCs, and the reduction to 25 per cent of the minimum value added in origin requirements deserved priority consideration.

38. He considered that preference-giving countries should explore the possibility of applying the GSP concept to movement of labour from LDCs to provide services in those countries, and he stressed that the trade prospects of LDCs should not be circumscribed by environmental and labour standards.

39. The representative of **China** said that the GSP had played a positive role in promoting the economic development of the developing countries, increasing their foreign exchange earnings and accelerating their industrialization. However, there had been increasing cases of deviation from its basic objectives and principles. In fact, he felt that the principles of universality, non-discrimination and non-reciprocity of the GSP had not been earnestly complied with in practice. The fact that some preference-giving countries included in their GSP schemes stipulations relating to the social clause, labour rights, anti-drug-trafficking, and environmental protection erected de facto conditions totally foreign to trade that reduced both the coverage and the actual benefits of the GSP schemes.

40. The tariff concessions resulting from the conclusion of the Uruguay Round negotiations had greatly weakened and eroded the advantages represented by the GSP. According to a report of the UNCTAD secretariat (TD/B/SCP/13), the average erosion calculated on the basis of the GSP schemes of the European Union, Japan and the United States was 2.8 per cent. The development of regional groupings had led to a rapid development of interregional trade concessions which accorded terms more favourable than those given under the GSP, undermining the use of the GSP by countries outside the groupings. The graduation measures adopted by the preference-giving countries would also greatly damage the effectiveness of the GSP and in fact constituted trade protectionism. Finally, the consensus reached at the end of the Intergovernmental Group of Experts on Rules of Origin, held in July 1995, on the harmonization, simplification and improvement of the rules of origin marked a great step forward in the implementation and utilization of the GSP.

41. The representative of **Japan** said that the Special Committee had two important tasks before it: one was the review of the GSP schemes which had been provided by the major developed countries, while the other was to provide material for the deliberations at UNCTAD IX.

42. Japan had introduced its GSP scheme in 1971 to facilitate the economic development of developing countries by promoting their exports, and since then it had continued its efforts to improve the scheme periodically. In the 1991 review, the scheme had been extended until March 2001, and the number of beneficiary countries had increased every year. As a result, 147 developing countries and 25 territories now benefited from Japan's GSP scheme.

43. As to the coverage and depth of tariff cuts, preferences were granted for all industrial products, including forestry and mining products, with the exception of products in 28 HS headings. Industrial products covered by the scheme were in principle given duty-free treatment with the exception of "Selected Products-67 HS Headings". In addition, Japan granted preferences for selected agricultural and fishery products in 74 HS headings. The tariff reduction rate for those products varied from 10 to 100 per cent.

44. The Japanese GSP scheme was in principle safeguarded by ceiling quotas and an escape clause system. As to ceilings, Japan had limited the number of products on which quotas were imposed and had been increasing the level of ceilings on an annual basis. The escape clause had never yet been applied.

45. Japan offered special treatment to LDCs for all products covered by the scheme. Duty-free entry for all agricultural and industrial products covered by the scheme had been granted to these countries.

46. On the question of improving the scheme, he underlined its autonomous nature. Regarding the extension of the product coverage suggested in document TD/B/SCP/13, Japan had made strenuous efforts to improve its scheme to the extent possible. After the conclusion of the Uruguay Round, the Japanese Government had reduced the tariff rates on 12 tropical agricultural products in which developing countries had strong interest.

47. It was natural to graduate countries/regions or specific products in the countries/regions which had become competitive with developed countries. The proposal to apply the GSP to new areas such as services and investments could be discussed with a view to revitalizing the GSP.

48. Finally, the UNCTAD technical cooperation programme relating to the GSP was quite useful for those countries which intended to make the best use of the GSP. Requests from developing countries to receive this cooperation had been increasing.

49. The representative of **Belarus** said that the aims of the generalized system of preferences were to a great extent in line with the objectives of his country in reforming its economy, namely speeding up economic growth, encouraging industrialization and promoting the expansion of exports. There was a need, however, to adjust the aims of the GSP to the recent radical changes in the international trading system, resulting, inter alia, from the successful conclusion of the Uruguay Round. In order to revive the GSP, there was a need to expand its product coverage and take into consideration the

possibility of extending the GSP concept to new areas, including services and investment. Graduation should be based on objective criteria and should not have a significant negative effect on exports of beneficiary countries. There was also a need to enhance the effectiveness of the GSP by reducing the tariffs applied within the system, improving and simplifying the rules of origin, and taking measures in favour of land-locked countries. Another step towards enhancing international trade, which was the aim of the GSP, could be abstention from unfounded anti-dumping measures and elimination of non-tariff barriers. Regarding the need to strengthen special preferential treatment of the LDCs, he informed the Committee that the recently adopted GSP scheme of Belarus provided for a tax-free regime for imports from LDCs.

50. The representative of the **United States** said that his delegation was quite disappointed to hear the litany of complaints and demands for further improvements in the GSP schemes, at least with regard to the United States' scheme. The GSP had been in operation for almost a quarter of a century and it was supposed to have been a temporary programme. Over the years there had been numerous meetings of the Special Committee on Preferences where potential improvements to the schemes had been discussed. Most of the preference-giving countries had over the years done what they could, and there was very little margin for further improvement in the United States' scheme. He questioned whether the Special Committee really needed to continue to exist and thought that UNCTAD IX should provide an answer. Having heard many repetitions and complaints, he was not sure if the current meeting was constructive. In his Government's view the real question was whether the GSP programme should survive, not whether it should be improved or expanded. The United States GSP had been limping along for the last couple of years for budgetary reasons. The United States GSP programme currently cost the United States tax payer $2.5 billion in lost revenues, and many of the newer members of Congress wondered whether that was necessary.

51. The programme could be improved in two ways. One was in the area of burden sharing. Advanced developing countries or newly industrialized countries should grant preferences for the remaining developing countries, at least for the least developed countries. The second area related to a proposal included in the legislation currently before Congress and accepted by the House of Representatives to expand the GSP programme in terms of product coverage for least developed countries. The authority to continue the GSP programme was contained in the House Reconciliation Bill, which was a source of controversy. The current proposal was to extend the GSP programme for two and a half years retroactive to 31 July. There were also some changes in the proposed renewal of the GSP programme. The first concerned reducing the per capita threshold for automatic graduation, which was currently almost US$ 12,000, to around US$ 8,600. A second proposal related to the initiative concerning least developed countries. A third provided for the reduction of the competitive need dollar limit from US$ 114 million to $75 million. Finally, two new conditions had been added by Congress. One related to cooperation in narcotics trafficking and the second to nuclear non-proliferation.

52. With regard to criticism about reciprocity in the area of intellectual property, it would be hard to justify giving preferences to countries that were harming domestic economic interests. With regard to internationally accepted workers' rights, they were not related to any protectionist plot but

rather to the use of slave labour, bonded labour, and the exploitation of children in dangerous jobs. These latter practices made it perfectly appropriate to have workers' rights as a condition to grant preferences under the United States GSP programme.

53. His country had just announced the graduation of Malaysia. Malaysia currently accounted for 28 per cent of the GSP benefits under his country's scheme, while less than one per cent of the benefits went to least developed countries. The real value of the GSP in the future would be to provide it only to those countries which needed it the most. In the perception of his Government, graduation should be understood as an achievement and not as a penalty.

54. The representative of **Thailand** said that the GSP scheme was an important instrument for promoting her country's exports to developed market-economy countries, and Thailand's exports under the GSP had increased gradually since its implementation in 1971. However, some preference-giving countries had introduced restrictive measures by graduating or withdrawing benefits for certain products for reasons unrelated to trade, and this trend had prevented Thailand from taking full advantage of the GSP benefits. She urged some preference-giving countries which had attached restrictive measures to their GSP schemes to comply fully with the multilaterally agreed principles of the generalized, non-discriminatory and non-reciprocal character of the GSP.

55. The conclusion of the Uruguay Round and its implications had reduced the margin of preferences available under the GSP. She requested that preferential rules of origin not be applied in a stringent manner and also that trade-restrictive effects resulting from stringent application of preferential rules of origin should be examined and eliminated so as not to erode the utilization of GSP benefits. In that connection, she expressed appreciation for the efforts made by the Intergovernmental Group of Experts on Rules of Origin to liberalize, harmonize and simplify such rules.

56. Finally, UNCTAD's technical assistance could not only help developing countries to better understand and make more effective use of the GSP but could also help in promoting greater cooperation between developed and developing countries.

57. The representative of **Switzerland** said that, in the aftermath of the Uruguay Round, there was a need for the better integration of developing countries, in particular the poorest ones, into the international trading community. New approaches were required, as GSP margins would inevitably be reduced as a consequence of MFN-based tariff reductions resulting from the Uruguay Round. His Government was committed to the idea of the GSP and was involved in a major revision of its own scheme.

58. The Government of Switzerland had done a study on the impact of the Uruguay Round on developing countries, and in its conclusions this study pointed to the importance of revising the GSP scheme and extending export promotion for products from the South and to the need for institution-building in developing countries.

59. In the revision of Switzerland's GSP scheme, which would be finalized in 1996, the following three basic principles would be kept in mind: (i) the GSP

had to remain a development tool, and compliance or non-compliance with other policy objectives, e.g. ecological or social ones, should not impede benefits under GSP; however, Switzerland was considering the possibility of granting further market access concessions when, for example, environmental policies aimed at sustainable development were put into place; (ii) the GSP had to be a transparent and predictable instrument; Switzerland considered this to be one of the strong points of its current GSP scheme, which should be maintained in the revised one; (iii) the GSP had to serve the poorest countries; already today the least developed countries received duty-free treatment for all industrial products covered by the Swiss scheme. Further specific concessions to LDCs in other areas, for example in agricultural products, were also being considered.

60. The GSP, as part of a broader concept, had to be supported by other measures, especially to allow developing countries to reap benefits in the new areas which had been negotiated in the Uruguay Round. In the area of services, real market access often depended on mutual recognition of diplomas, on compliance with prudential requirements and on access to technology. His country foresaw four lines of action to be pursued on services in order to assist developing countries to take advantage of the new opportunities in services: (i) exploring whether the GSP concept could be applied to services; (ii) revising trade promotion programmes so as to include the promotion of services; (iii) implementing in a creative manner Article 4 (2) of GATS, which provided for the creation of contact points in industrial countries to better inform service providers from developing countries; and (iv) supporting initiatives helping developing countries to take advantage of new information technologies.

61. The representative of **Malaysia** said that, while the GSP benefited developing countries, including Malaysia, by helping them to diversify their exports, it was not without weaknesses, and the fact that it had been used as an instrument to advance certain policy agendas had caused a dilution of the system. The substantial transformation of the GSP had provoked a deviation from its original objectives, principally autonomy, voluntariness and non-reciprocity. The introduction of certain extremist elements had weakened the certainty and predictability of the scheme, thereby threatening the development of trade.

62. The representative of the **Philippines** said that the generalized system of preferences had been one of the landmark accomplishments of UNCTAD, as it had brought considerable benefits to developing countries, especially in terms of increased export earnings. However, the real benefits of the system had fallen short of the potential good that the GSP had been intended to foster in promoting industrialization and accelerating economic growth. GSP schemes had not matched the industrial structures of developing countries and accounted for only a quarter of their exports. The new international economic order resulting from the conclusion of the Uruguay Round had only increased the need for the GSP. However, the current system should be improved and revitalized.

63. The Uruguay Round had eroded the preferential margins hitherto provided by the GSP. This erosion needed to be corrected by the extension of preferences to sectors that had been excluded, especially agricultural items, textiles and clothing, certain footwear and leather articles. Market access

for these important items for developing countries had hardly been improved by the replacement of quotas by prohibitive tariff levels. The tariffication of these items, however, allowed an opportunity to apply a meaningful preferential margin.

64. The GSP should also be broadened to include the areas of investment and services, since they were now part of the new trading system created by the Uruguay Round.

65. In order to facilitate the use of the GSP, the efforts aimed at harmonizing, simplifying and improving the rules of origin should be continued. The technical cooperation programme of UNCTAD aimed at assisting developing countries to avail themselves of the opportunities provided by the GSP should be strengthened.

66. Finally, graduation must be based on multilaterally agreed principles. The principal criterion for sector graduation should be the share of a country's exports in total worldwide imports of the preference-giving country concerned and not only those imports benefiting from the GSP. Social indicators should be brought in as necessary complementary criteria for country graduation.

67. The representative of the **United States**, referring to the statement of Malaysia, said that predictability and certainty with regard to graduation were a complex matter, since it was rather difficult to predict with very much certitude how fast an individual country was going to develop. The United States constantly examined whether countries still needed the GSP. Malaysia did not meet the automatic per capita graduation standard. The case had been determined using the discretionary graduation criteria, and it had been found that Malaysia had a rather high purchasing power of parity, which was a better indicator of wealth than per capita income. Economic growth levels, literacy rates and other economic and social indicators had also been examined. There was also a practical problem in making these kinds of judgements, as all indicators did not necessarily fit a pattern. Even in the United States there was no uniformity in indicators. In the past, four countries or territories - Taiwan Province of China, the Republic of Korea, Singapore and Hong Kong - had been graduated, not on a per capita basis but by making a judgement about a number of developmental indicators. This system was a lot better and a lot fairer than having just a dollar target.

68. The representative of **Argentina** said he agreed with the graduation criteria contained in document TD/B/SCP/13, according to which the principal criterion for graduation was the share of worldwide imports of preference-giving countries.

69. Concerning the European Union's GSP scheme, he recognized the positive aspects aimed at improving transparency, simplification, stability and predictability. Other positive aspects included the fact that the new scheme would last for four years, the elimination of quotas and ceilings, and the principle of the progressive phasing-in of the new mechanisms. However, there were also some aspects which gave rise to great concern, in so far as they were not consistent with the principle of transparency. In fact, there were various reasons to consider the new scheme as a backward step in relation to the old one unless meaningful preferential margins were granted. The

reduction of the preferential margin granted by the scheme in comparison to MFN duties would result in a reduction of the market access to the European Union market for certain products. Moreover, the adoption of a graduation mechanism would cause serious losses in terms of competitiveness for graduated sectors depending on exports.

70. Furthermore, exports which might benefit from the GSP would be affected by the tariff modulation system. This was due to the fact that hyper-sensitive, sensitive and semi-sensitive products were subject to duties, while before they had merely been subject to quotas. This would be specially true in cases where some products included in these categories had previously been granted duty-free treatment without quotas. Nevertheless, the new rules might result in additional benefits for certain sectors which had previously been subject to quotas. However, this would not offset the commercial loss due to the negative aspects of the new scheme. The improvement provided by the elimination of quotas would be obliterated by the general application of reduced duties to products which, under the previous scheme, had been granted duty-free entry until they exceeded the fixed duty-free amounts. In addition, imports which were largely exceeding the established quotas would be affected by the graduation mechanism.

71. Another area of major concern related to the European Union's new GSP for agricultural products. The introduction of tariff modulation was a good opportunity to include under the GSP, as in the case of Norway, products which had previously been excluded. The granting of donor-country content would introduce major flexibility, even more so if it were accompanied by an increase in inputs from third countries. Commission Regulation 3254/94 amended the Customs Code by allowing bilateral cumulation inducing regional cumulation, as well as the five per cent rule.

72. Finally, he expressed concern about the introduction of a reciprocity element in the European Union's new scheme, since it provided for the withdrawal of GSP benefits to those countries which had not fulfilled the commitments negotiated during the Uruguay Round.

73. The representative of the **Democratic People's Republic of Korea** said that, after the conclusion of the Uruguay Round, the multilateral character of the international trading system had been further improved. On the other hand, the Round had brought the negative result of eroding the preference margins for the developing countries. The current session of the Special Committee would be an important occasion to revitalize the GSP.

74. The GSP should be applied to all developing countries without discrimination; UNCTAD II had decided by consensus that the GSP be applied to all developing countries on the principle of universality, non-discrimination and non-reciprocity. The GSP should also be improved further. The main objectives of GSP schemes were to increase trade and accelerate industrialization and economic growth of the developing countries. These objectives still remained unachieved, and the gap between the developing countries and the developed countries was widening further. Tariffs should be further reduced, either fully or partially, along with the full or partial reduction of MFN tariffs, in compliance with the Uruguay Round Agreement.

Moreover, it was necessary to apply the GSP to all goods produced by developing countries, simplify the rules of origin and abolish quotas and tariff ceilings.

75. The present situation called for an increase in technical assistance. Such assistance should be encouraged so that developing countries could enhance their trading capacity and make full use of GSP schemes. To this end both donor countries and appropriate international organizations should render financial support.

76. His country's new economic strategy gave priority to agriculture, light industry and foreign trade, and his country would like to make full use of the GSP to develop economic relations with different countries and seek new foreign markets.

77. The representative of the **Russian Federation** confirmed his country's position of principle concerning its view of the generalized system of preferences as an important instrument to promote trade and economic growth of developing countries, as well as its adherence to the GSP principles of non-discrimination and non-reciprocity. His country, which was both a preference-giving and a preference-receiving country, continued to grant preferences to 150 countries, despite its own economic problems connected with the transition process. The national GSP scheme of the Russian Federation provided for a 50 per cent reduction of duties for imports from beneficiary developing countries and total exemption for imports from LDCs. It also covered practically all products.

78. Russia fully supported efforts for further development of the GSP with a view to enhancing its effectiveness after the Uruguay Round. In this connection he expressed his conviction that endeavours to find mutually acceptable principles of graduation had a chance to succeed, in particular in the area of product coverage, and that the elaboration and implementation of a mutually acceptable methodology to determine the competitiveness of products included in GSP schemes would contribute to a more equitable distribution of the advantages of the GSP among recipient countries and would strengthen transparency and predictability in international trade.

79. Concerning the possibility of expanding the GSP to new areas, including services, investment and agricultural products, care must be taken to avoid situations in which the GSP could harm the national interests of any country.

80. The representative of **Canada** said that there was still a role for a system of tariff preferences for those developing countries in need of special measures to help them to increase and diversify export earnings and achieve a higher level of economic development. Since 1974, Canada had extended its scheme to 180 countries and territories, and over the last 21 years, its scheme had been the subject of reviews, criticism and even occasional compliments.

81. In 1994, the Canadian Parliament had decided to extend the preferential scheme until 30 June 2004. A decision had also been taken to hold a comprehensive review of both product coverage and tariff rates under the scheme. This had been done in recognition of the fact that many of the existing margins of tariff preference would be reduced or eliminated over time

as the Uruguay Round results were implemented. There were as yet no detailed results of the review because proposals to Ministers were still pending. In 1994, a public notice had been published asking for final comments on changes that would affect over 3,500 tariff lines. The final proposals to Ministers would be presented very shortly, with implementation targeted for early 1996.

82. He informed the Committee that rubber footwear and inner tyre tubes had been withdrawn from the Canadian scheme effective 1 July 1994 in view of the repeated temporary withdrawals on these products which had been put in place over the past several years. With respect to rules of origin, there had been a useful exchange of views in July in the Intergovernmental Group of Experts on Rules of Origin. Following that meeting, Canada intended to delete the requirement for a consignee on Form A, and the target date for this change was 15 December 1995. Canada was also examining more broadly the overall requirement for use of Form A, particularly for the least developed countries. Canada also supported the recommendations from the Group set out in paragraph 68 of document TD/B/SCP/13 related to the direction that should be taken in work towards harmonization of rules of origin.

83. With respect to least developed countries, Canada supported the principle of fullest coverage with the most liberal treatment possible and continued to review its scheme towards these objectives.

84. The GSP technical assistance programme had evolved from its original role of educating countries about donor country schemes. The broadening of seminars to deal with a wider range of trade-related issues had been a positive development in recent years. With reference to the final document issued in New York in late September by the High-level Intergovernmental Meeting on the Mid-Term Global Review on the Implementation of the Programme of Action for the Least Developed Countries for the 1990s, paragraph 49 of the document noted the importance of refocusing efforts to increase technical assistance to the least developed countries in order to improve the capacity of these countries, including in the area of the GSP. Canada was prepared to work with the secretariat to identify specific requirements and how better to address them through existing multilateral and complementary bilateral technical assistance channels.

85. Finally, Canada's Trade Facilitation Office continued to provide a comprehensive range of services in assisting developing countries' exporters, particularly those without a strong marketing presence in Canada, to make contact with potential importers.

86. The representative of **Cuba** said that her Government attached great importance to the work of the Committee, which was meeting a few months before UNCTAD IX. The GSP should be strengthened and revitalized on the basis of multilaterally agreed principles, and she agreed with document TD/B/SCP/13 where it pointed out that the three basic principles of the system had not been fully observed and that divergence from them had grown over the years. In this context, she considered that elements related not to trade issues but rather to political ones should be eliminated.

87. The need to strengthen the GSP could be seen from the real benefits it had brought in terms of increases in exports, as well as the restrictions which had been introduced and which had limited its potential. In this

context, she pointed out that, according to secretariat estimates, only one-fourth of dutiable imports actually received GSP treatment. This situation could be made worse by the results of the Uruguay Round, since preferential margins on some products had been partially or completely eroded. Furthermore, there was no evidence that market access opportunities had, in the short term, been improved for agricultural products. For this reason, product coverage should be expanded in this area to respond better to the expectations of developing countries. As far as rules of origin were concerned, she supported the conclusion of the Intergovernmental Group of Experts, as reported in document TD/B/SCP/15.

88. Preference-giving countries should extend their schemes for a sufficient length of time to increase the stability and predictability of the concessions. Furthermore, in implementing graduation, it should be demonstrated that a product was competitive and sufficient time should be provided for the beneficiary to adapt to the new conditions. Denial of preferences should be accompanied by precise information and bilateral consultations.

89. With regard to her own country, it was difficult to see how it could benefit from the GSP when a preference-giving country was currently applying an economic embargo against it and did not grant it GSP preferences. Finally, there was ample scope to improve the GSP and to examine its shortcomings in order to transform it into a real instrument of international cooperation.

90. The representative of **India** said that the generalized system of preferences had proved to be a useful instrument for trade creation in all countries in the more than two decades of its operation. Developing countries had benefited from GSP preferential tariffs, as was borne out by the fact that while their exports had increased at an average annual rate of about 8 per cent since 1976, their GSP exports had increased at a rate of about 13 per cent. In 1992, some US$ 80 billion of exports from developing countries had benefited from low or zero tariffs in OECD preference-giving countries.

91. While the usefulness of the GSP was unquestionable, recent developments such as the reduction of tariffs consequent upon the implementation of the results of the Uruguay Round had eroded the GSP preferential margins by about 9 per cent in the United States, about 15 per cent in Japan and about 23 per cent in the European Union. The tariff quotas, ceilings, maximum country amounts and competitive need limitations discouraged long-term planning and investment by entrepreneurs, as a result of which the average utilization rate of GSP was about 50 per cent. Further complexities had arisen due to the concept of graduation and on account of the exclusion of a large number of products of export interest to developing countries such as textiles and clothing, footwear and leather products, and semi-processed and processed agricultural products.

92. There were considerable variations in the conception and execution of the various GSP schemes. The rules of origin were somewhat complex and stringent, and eligible GSP products were often denied benefits in the preference-giving countries on the grounds of their not meeting the criteria stipulated in the rules of origin. As a result of the reduction of many tariff rates to low levels, there was a need for a comprehensive review of the GSP rules of

origin. The low levels of duties no longer justified criteria as stringent as before, since risks of trade diversion, as well as the possible use of origin to safeguard domestic products, had been substantially reduced.

93. In the GSP context, two different sets of rules, i.e. the process criterion and the percentage criterion, governed the rules of origin. Adoption of a single criterion applicable under all GSP schemes would be a major step towards simplification. In the Uruguay Round a single rule had been agreed for non-preferential trade, and it should similarly be possible to adopt a single rule for preferential trade. A single criterion based on domestic content might not be in tune with developments in the post-Uruguay Round situation in view of the increased trade flows, while the criterion based on change in tariff heading might also not be free from difficulties. The work undertaken by WCO might be made use of, in a phased manner, to adopt similar criteria, with suitable modifications and amendments where necessary, for the GSP rules of origin.

94. The improved functioning of the GSP required enhanced administrative cooperation between preference-giving and preference-receiving countries for ex-post controls, meeting deadlines and ensuring the reliability of the information provided in origin certificates.

95. An important improvement in certain GSP schemes could be the inclusion of a number of products of export interest to developing countries, such as textiles and clothing, footwear and leather products, and semi-processed and processed agricultural products.

96. Many developing countries were attempting structural adjustments and economic reforms. The success of these programmes would depend, to a great extent, on the market access they were able to obtain. A strengthened, improved and expanded GSP preferential system would be a measure of support for their trade liberation policies which, apart from benefiting the developing countries themselves, would also stimulate global growth.

97. The representative of **New Zealand** said that the GSP had a very useful place in the world economy. New Zealand had launched its GSP scheme in 1974, and since then there had been four reviews of the scheme and a number of changes in tariff and industry policies. As a result of these reviews, New Zealand had moved to a negative list concept where the tariff was covered by the GSP without any quantitative limits. The need for official declarations or forms had been removed, and GSP rates were 80 per cent of the normal rate. In 1985 a special scheme for least developed countries had been introduced granting duty-free entry over most of the tariff except for textiles and apparel. Cumulation and donor country content were allowed.

98. Since 1985, New Zealand had been concerned with removing barriers to competition, and the average tariff, previously 40 per cent, would be down to 5 per cent by the year 2000. Under the programme announced by the Government in December 1994, there would only be three tariff levels by the year 2000: 5, 10 and 15 per cent, the last two applicable to textiles, clothing, footwear and motor vehicles. These policies, and also the Uruguay Round outcome, would seem a drastic reduction in GSP margins. The likely continuation of these tariff policies would mean further reduced ability to offer preferences. New Zealand's policies involved opening up its market to all countries as part

of a policy of integrating New Zealand much more into the global economy, making producers more internationally competitive, and moving resources into areas of greatest efficiency and competitiveness. New Zealand saw a likelihood that the tariff reduction process would continue globally within the context of individual country policies and more Uruguay-type rounds or because of regional trading arrangements. In New Zealand's case, APEC was a major future factor, and many countries at the Standing Committee's session were involved in that process. Overall, it seemed likely that many developed countries would have less and less scope in the future for significant GSP margins. Since 1985, New Zealand had introduced graduation under which countries were graduated either when their per capita GNP reached 70 per cent of the New Zealand level, which was currently US$ 8,600, or when a country supplied more than 25 per cent of imports of goods under a particular tariff item.

99. While 148 countries benefited from New Zealand's GSP scheme, most of the benefits went to a limited number of countries. In fact, least developed countries, notwithstanding duty-free entry, provided less than 1 per cent of imports under the scheme.

100. New Zealand would commence a review of the GSP shortly which would take into account several issues such as product coverage, graduation criteria, depth of tariff cuts, the limited use of the scheme by least developed countries, direct shipment and other forms of assistance. With regard to product graduation, it was necessary to achieve transparency and predictability. Some proposals had been made in the Special Committee to extend GSP coverage. In agriculture, New Zealand had long been an advocate of reducing barriers and tariffs, and it followed that policy itself. In textiles and clothing, New Zealand had removed the last quantitative restrictions in 1992. In that connection, however, it must be emphasized that New Zealand now had less than half the number of people employed in these industries than six years previously. New Zealand had a very open services market and did not have investment incentive programmes, hoping that barriers in these areas might continue to be reduced. He stressed that any proposal to introduce preferences in this area would require very careful assessment in terms of the thrust of the Uruguay Round and the implications for the distortion of investment decisions. With regard to rules of origin, New Zealand had no problem with the concept of a harmonized approach.

101. The representative of **Romania** recognized the need to harmonize the rules of origin for the GSP schemes in order to make the system more predictable and easier to use for exporters, particularly small and medium-sized private exporters. Romania had used the GSP in order to develop economically and was grateful for the advantages it had been granted. In that connection, she welcomed the improvements made to the Japanese scheme.

102. She understood the concern of preference-giving countries with respect to differentiating among beneficiaries. However, she felt that graduation should be tackled cautiously, and any graduation scheme must be carefully designed and properly managed. Her delegation's point of view was that graduation must not limit the existing advantages or affect the development efforts of the beneficiary countries. Furthermore, the economic criteria to be taken into consideration when considering graduation of certain products covered by the GSP schemes should include not only their direct weight in the total imports

of the donor country but also their weight in the national output of the beneficiary. Should graduation become the rule of GSP, her delegation would support the idea that economic criteria alone should be taken into consideration, and such economic criteria should be multilaterally determined and accepted.

103. Now that the Uruguay Round had been successfully concluded and new areas of trade were covered by the Agreements, there was a need to review the GSP in order to revitalize it. This revitalization must have as its aim the promotion of trade and economic development.

104. The representative of the **European Community** informed the Committee that the Community's new industrial scheme of generalized preferences had been adopted on 19 December 1994. The guiding light of the new scheme was to return the GSP to its basic objective as conceived by UNCTAD itself. The analysis of the old scheme had made it clear that the old mechanism of quotas and ceilings had produced a situation where each product/country pairing was dealt with on a case-by-case basis using individual criteria of sensitivity/competitiveness which were trade policy criteria. The situation had been redressed by viewing the new scheme from a global industrial development perspective and therefore by abolishing completely the system of quotas, fixed zero-duty amounts and ceilings, and at the same time abolishing the extreme complexity of management that it had entailed. The old system had been replaced by a system of modulated preferential duties, which was much simpler to manage for operators and administrations alike, because it was applied in a uniform way for all recipients and according to a hierarchy of percentages of reduction, involving four categories of degree of sensitivity, which were easily identifiable.

105. The uniform application of the modulation system for all beneficiary countries illustrated the will of the Community to eliminate from the scheme any form of discrimination between beneficiaries based on product competitiveness. While the modulation of the preferential duties reflected the differences in sensitivity of the products, this sensitivity was now analysed on the basis of the Community market situation, irrespective of the origin of the product. In the new European Community scheme, the only differentiation between beneficiary countries was based on industrial level of development. This involved a radical change in the concept of the scheme resulting in two types of exceptions to the principle of the uniform application of the basic plan for all beneficiaries: one positive, applicable to countries which overall had not reached a sufficient level of development (LDCs) or where the individual situation due to the drug problem seriously handicapped development; the other, negative, applicable to countries which had reached a high level of development at least in certain sectors. This latter type of exception took the form of a graduation mechanism. The objective of the graduation mechanism should not be seen as a penalty sanctioning excessive performances, but rather as recognition of the level of development reached by certain countries which enabled them to face international competition under the common rules. For the other countries, where the level of development was still low and which were therefore not affected by the graduation mechanism, the effect of the graduation could be very positive. The European Community's graduation mechanism would be applied with discernment, without haste and in a transparent and objective way. This could be seen from the fact that the European Union had opted for a graduation

mechanism by major production sectors and by country, and not, as had happened in certain large donor countries, for all the exports of a country as a whole or for a whole sector of all beneficiary countries. Any haste had been excluded by utilizing a progressive approach that allowed the affected countries to adapt to the new situation by granting them a longer or shorter timetable according to their income level: this meant delaying the application of full and complete graduation until 1 January 1998 for the majority of the affected countries. Transparency and neutrality had been ensured by providing for the complete publication of the full methods of calculating the various criteria used.

106. The new European Community scheme for the industrial sector would have a duration of four years instead of one, which ensured more stability for the commercial operators. The Community was fully aware of the concerns which had been raised on the specific effects that the new modulated preferential duties or the application of graduation could have on beneficiaries. The fact that in some cases it would be possible that some imports would have to pay higher customs duties than under the old regime must not be interpreted dramatically, because the different treatment given to different competitors reflected, under the new EU GSP scheme, the different strength of competitors. In this context, the establishment of an annual report within the framework of the newly established Management Committee for Generalized Preferences would provide for clarity and keep the partners informed of the results of the scheme.

107. He also drew the Committee's attention to the possible increasing benefits deriving from the additional offer which might be set up as from 1998 in the form of the special encouragement schemes. He rejected the criticisms of protectionism and interference addressed to these arrangements, because the new offer would allow a preferential margin which would be added to the existing advantages with the aim of encouraging policies aimed at improving social and environmental aspects in accordance with the GSP's basic objective. There could be no question of interference, since the application of a measure depended on the clearly demonstrated willingness of the country which wished to benefit from it.

108. The attitude of the European Community in this area was of openness, cooperation and dialogue, because the application of these measures would be put into effect after having listened to the debates on the issue in the WTO and in ILO, OECD or UNCTAD.

109. Even in cases where basic human rights were in question, for example in the context of slavery and forced labour, the European Community had shown its attitude of cooperation. In fact, the procedure envisaged on this matter involved three phases entailing preliminary consultations of a confidential nature, a public survey with hearings and, finally, classification of the complaint or withdrawal of the preferences GSP. Withdrawal would be decided upon only in the event of failure of the previous phases.

110. With regard to the rules of origin, he stressed the importance of the introduction of donor country content that would stimulate both cooperation between companies of the beneficiary countries and of the European Community and the use of the GSP. Furthermore, the Community was fully aware of the need to simplify and harmonize these rules of origin, and he appreciated the

agreed conclusions of the Intergovernmental Group of Experts on Rules of Origin, in particular those concerning the follow-up to the work on harmonization started under the auspices of the WTO.

111. Finally, a new agricultural scheme based on the 10-year guidelines which were the basis of the industrial scheme was being prepared and should apply until the same date as the industrial scheme.

112. The representative of **Malta** said that, although beneficiary countries had been facing increasing obstacles in the utilization of the scheme, the GSP remained a very important instrument in assisting and promoting trade between donor and developing countries. The GSP should be general, non-reciprocal and non-discriminatory, and it should increase the export earnings of the developing countries, promote their industrialization and accelerate their rate of economic growth. There was clearly scope for improving the effectiveness of the GSP, especially for the least developed countries, by extending the product coverage to cover more agricultural products.

113. The GSP had been very effective in attracting foreign private investment into Malta, and the incentives created by the system had permitted the diversification of the portfolio of exportable products. For example, there had been a consistent upward trend in Maltese exports to the United States of America for the last seven years, particularly of electrical machinery, rubber articles, plastic products and jewellery items. The previous year had also seen enhanced exports to other GSP donor countries, especially Canada, Switzerland and Australia. She appreciated the support of all the GSP donor countries that had permitted, over the last 20 years, the reconstruction of her country's export-oriented industrial base.

114. With regard to rules of origin, she appreciated the work of the Intergovernmental Group of Experts on Rules of Origin, since the diversity of the rules of origin acted as an obstacle to exporters and gave rise to the need for the harmonization of the origin criteria, whether full or partial.

115. The representative of **Brazil** emphasized the important role that had been played by GSP schemes in creating better opportunities for developing countries in terms of market access in developed countries. Brazil had benefited considerably from these opportunities.

116. His country's first preoccupation was the question of graduation, as Brazilian exports in various fields, such as capital goods, leather and paper products, had been seriously affected by abrupt loss of preferences. This issue would have to be discussed in the context of the principles of the GSP in order to establish a fair set of criteria which would not be harmful to preference-receiving countries.

117. With regard to conditionalities inserted in GSP schemes, he was of the opinion that they were in clear contradiction with the general principles of the GSP and might create a dangerous precedent for the emergence of concepts bearing a protectionist bias.

118. He stressed the need for harmonization and simplification of the criteria employed in determining the origin of goods by preference-giving countries.

In this regard he appreciated the adoption by some preference-giving countries of the rules of "donor country content" and "full global cumulation".

119. Finally, even though the schemes were voluntary and autonomous, decisions related to changes in them should be conducted in a transparent manner that took account of the views and needs of preference-receiving countries.

120. The representative of **Norway** said that the implementation of the WTO agreement and tariffication of all non-tariff border measures in the agricultural sector as of 1 January 1995 had required changes to be made to the Norwegian GSP scheme for agricultural products. Norway had wanted to take the opportunity not only to adapt to the new trade regime, but also to make substantial improvements in its scheme, particularly for the least developed countries, in line with commitments undertaken during the Uruguay Round.

121. The GSP should continue to be a tool for promoting increased and diversified exports and economic growth in developing countries, with particular emphasis on providing the fullest possible benefits to the poorest and least developed countries. This implied that new benefits accorded under the GSP should be given primarily to these countries and that other developing countries should be progressively integrated into the regular trading system as their economic and developmental situation improved. Criteria for graduation should be objective and predictable. Transparency and predictability in general should be important guiding principles of the GSP.

122. The GSP system was, however, only one instrument, though an important one, for promoting exports from developing countries.

123. Norway had introduced an interim GSP arrangement from 1 January 1995, and a revised new scheme had taken effect on 1 July. The new scheme implied a significant enlargement of the product coverage and improvements in the preferential terms for agricultural products.

124. Least developed countries were accorded duty-free and quota-free market access for all agricultural products except for flour, grains and feedingstuffs, which were given a 30 per cent tariff reduction within indicative tariff ceilings.

125. For other developing countries duty-free market access was accorded for non-sensitive agricultural products. Sensitive agricultural products were given a tariff reduction of 10-15 per cent, and all agricultural products except for milk and dairy products were covered by the new scheme. Developing countries were also given a 10 per cent tariff reduction for products covered by the new WTO minimum access quotas for meat and other products.

126. Least developed countries were accorded duty-free entry for all industrial products, including textiles. The MFN tariff reductions following from the Uruguay results would necessarily erode previous preferential margins in this field, and in recognition of this, Norway was examining the possibility of extending the GSP coverage to more textile and clothing products.

127. With regard to technical assistance, Norway had contributed to the programme carried out by UNCTAD and would continue to do so provided the

quality of the assistance was maintained. Other important organizations provided technical assistance in this field, such as the WTO and ITC, all within their respective fields of competence, and it would be necessary to increase cooperation and coordination between these organizations in order to avoid duplication and to make the fullest use possible of scarce resources. In this connection, he informed the Committee that Norway had made a contribution to the WTO for a technical assistance fund with the aim of providing assistance to the poorer and least developed countries, particularly in Africa, to participate more actively in the WTO.

128. The representative of **Bulgaria** praised the positive role of the GSP but said that, if it was to become more effective, the system had to be strengthened and restructured, especially with a view to overcoming the process of erosion of the preferential margins in the wake of the results of the Uruguay Round. Bulgaria, which was both a beneficiary and a donor country, enjoyed preferential treatment from some OECD countries and it hoped that this treatment would be preserved and further improved, particularly in view of the enormous losses caused to Bulgaria's foreign trade by the United Nations sanctions against the Federal Republic of Yugoslavia. He also felt that the inclusion of some new areas in the GSP, such as services, might be of interest for his country. In that connection, Bulgaria was willing to participate in the discussions and possibly to host seminars and similar events dealing with these problems. As for the national GSP scheme of Bulgaria in favour of developing countries, his Government had the intention of updating and modernizing it in the light of the recent changes in the country's foreign trade regime, and technical assistance from UNCTAD would be appreciated in this connection.

129. The spokesman for the **African Group** (Egypt) said that the Uruguay Round Agreements had led to the erosion of the margin of preferences enjoyed by exports of developing countries covered by the GSP. The original objectives of the GSP, namely to increase export earnings of developing countries, promote their industrialization and accelerate their economic growth, remained valid, and in the light of the erosion of preferences enjoyed by developing countries, these objectives had assumed added importance, especially in the context of the export-led development strategy of many developing countries.

130. He expressed the hope that developed countries would utilize the results of the Uruguay Round to give renewed impetus to the GSP, which should be reinvigorated to compensate developing countries for the loss of preferences due to the Uruguay Round Agreements. He cited as an example the tariffication process in the Uruguay Round Agriculture Agreement, which might provide new opportunities to improve the GSP product coverage and the possibility of extending the GSP to new areas such as services and investment.

131. He stressed the importance of four issues - product coverage, preference margins, concentration of benefits and utilization of preferences. With regard to product coverage, he said that it should be expanded to match the actual export capabilities of developing countries. The new schemes proposed by several preference-giving countries should be reviewed periodically to ensure that preferences were meaningful. On the concentration of benefits, he expressed the hope that specific concrete actions would be taken in order to solve the uneven distribution of benefits among developing countries. In addition, he expressed the belief that there was vast room for improvement of

the rules of origin and the administrative requirements of GSP. With regard to the last two issues, he highlighted the important role that UNCTAD could play in providing the necessary technical assistance.

132. Finally, he expressed appreciation for the improvements in the scheme of Norway and the assistance programme provided in this regard, and he hoped that technical assistance to the African countries, especially the least developed among them, would be improved.

133. The representative of **Ethiopia** said that the generalized system of preferences had centred around international efforts aimed at accelerating economic growth, promoting industrialization and increasing export earnings. The aims, objectives and principles of the GSP were still valid, particularly in the context of the dynamic international trading environment. Thus, the revitalization, improvement and expansion of the special preferences had become critically important in the light of increasing globalization and liberalization of the world economy.

134. However, since the conclusion of the Uruguay Round Agreements, it had become clear that the erosion of preferences was unavoidable. In that connection, the growth rates of preferential imports from the LDCs in the period between 1976-1993 had on average been lower than those for all other beneficiaries. The limited ability of LDCs to take full advantage of many GSP schemes was due to many factors, such as the exclusion of certain products from the GSP, the rigidity of rules of origin, the concurrent changes in individual schemes and the resulting complexity of the administration of the scheme.

135. Ethiopia had not benefited fully from the GSP schemes of major preference-giving countries because of the centralized economic management system that the country had followed for the last two decades, i.e. from 1974 to 1991. Moreover, the benefits obtained from a limited number of GSP schemes had been channelled only to public enterprises. Moreover, Ethiopia had been included in the GSP scheme of the United States, for example, only since 1992, after the collapse of the military regime in 1991.

136. He expressed the hope that it was not too late for Ethiopia to make full use of the GSP and to better integrate itself into the trading environment. The market access results of the Uruguay Round Agreement on Agriculture might provide all LDCs, including Ethiopia, with new possibilities to benefit from the different schemes extended to them by their trading partners. To this end, expeditious and full implementation of the Marrakesh Ministerial Declaration and decisions in favour of LDCs would have a significant positive impact on the trading opportunities of Ethiopia.

137. Relaxed and liberalized rules of origin and wider coverage of products which were of export interest to Ethiopia would greatly assist the country in its endeavours to implement wide-ranging structural adjustment programmes and economic reform policies in parallel with democratic political transformation. The specific problems that Ethiopia confronted with regard to the use of the GSP were related to lack of information or awareness on the part of both private and public trading enterprises and the absence of a strong institution to control, guide and evaluate the benefits obtained from various preferential schemes. In view of these situations, the Government had requested the UNCTAD

secretariat to organize a national seminar or workshop for all national actors in the field of international trade on issues related to the GSP and its operation.

138. He stressed the importance of the UNCTAD Technical Cooperation Programme and regretted the decline in resources available to it. In addition, he highlighted the usefulness of the Digest of Schemes. He concluded by stating that if the GSP was to remain an effective trade policy instrument in the post-Uruguay Round era, the whole system had to be further strengthened and expanded after UNCTAD IX on the basis of its principles of universality, non-discrimination and non-reciprocity.

139. The representative of **China** said that the conclusion of the Uruguay Round negotiations had resulted in the reduction of the tariffs of the preference-giving countries by an average of 30 per cent and had thus seriously eroded the GSP advantages. The revision of GSP schemes in some major preference-giving countries had adversely affected the use of the GSP by some developing countries, whereas the objectives of the GSP had yet to be fully realized. The GSP remained an effective trade policy instrument which needed to be further strengthened and improved, and a number of positive measures could be taken to that end: the basic objectives and principles of the GSP, whereby preferential treatment should be non-reciprocal and accorded to all developing countries on an equal footing, should be reaffirmed through multilateral consultations; prior to the implementation of the harmonized rules of origin, preference-giving countries should improve and simplify the harsh clauses and restrictive measures in their current rules of origin and should adopt donor country content and global cumulation so as to help beneficiaries to fully utilize the GSP; product coverage should be extended to all commodities, including especially agricultural products, textiles and apparel, some footwear and leather and fur products; the margin of preferences should be improved and restrictive measures such as graduation and quantitative limitations should be reduced, while maintaining at least the present level of preferences. Although the Uruguay Round had reduced tariffs for some commodities, tariffs still exceeded the average rate agreed to at the Uruguay Round. The products concerned should also be covered by preferences, and at the same time, all products that enjoyed the normal tariff rate of 5 per cent, or less than 5 per cent, should be free from customs duty. Graduation should be governed by multilaterally agreed rules; non-trade-related clauses should be removed, as it was inappropriate to link them with the GSP; and the GSP should be extended to trade in services and investment as a compensation measure for the erosion brought about by the conclusion of the Uruguay Round.

140. The GSP had brought economic benefits not only to developing countries but also to developed countries, and this was important in the light of efforts to revitalize GSP. UNCTAD had done a great deal of useful work in technical cooperation programmes on the GSP and other trade laws, and this work should be continued. China appreciated the recommendation made by the secretariat in its report (TD/B/SCP/15) that more attention should be paid to holding seminars or workshops in preference-receiving countries so as to provide actual and potential GSP users with direct and better opportunities to benefit more fully from the GSP.

141. The representative of the **European Community** said that the Community would continue its bilateral technical assistance programme. He expressed support for any initiative aimed at developing information networks and channels, including the existing structures of Eurocenters and GSP focal points. In this perspective, he strongly supported the implementation of the trade point programme, following the United Nations International Symposium on Trade Efficiency.

142. The representative of **Switzerland** said that UNCTAD, and in particular the Committee on Preferences, was the best forum in which to discuss problems relating to technical assistance. In that connection, UNCTAD staff involved in substantive work should be funded from the regular budget of UNCTAD and not with funds expressly intended for technical assistance. The evaluation carried out in the field of technical assistance showed the need for an improvement in the work to be done, and in particular it would be necessary to redefine the scope and constraints of technical assistance. In that context, UNCTAD and Switzerland were jointly organizing a seminar on technical cooperation for trade and development, and the role of the various organizations in technical assistance could be discussed. Finally it was hoped that, within the UNCTAD secretariat, the allocation of resources to the major tasks that needed to be undertaken in the field of technical assistance would be adequate.

143. The representative of **Cuba** thanked the European Union for the technical assistance that had been provided to her country; this assistance would clarify the Community's scheme in the eyes of Cuban exporters. UNCTAD technical assistance should continue, particularly now that so many changes and improvements had been made in the various schemes.

144. The representative of **Colombia** expressed gratitude to the European Union for the recent technical assistance provided to the Andean Group. More documentation would be needed on the United States scheme in order to better inform the Colombian business community. In general, and for the same reason, she felt that updated documentation was needed about the various schemes, particularly at the present stage when many changes had been made to them.

145. The representative of **New Zealand** said that the documentation before the Committee showed the importance of technical cooperation activities but also flagged fairly clearly the lack of money and resources available to complete some of the tasks that UNCTAD had been asked to undertake. From some of the bilateral discussions he had had, notwithstanding the efforts made to provide clear information on the New Zealand scheme, it appeared that there were persistent difficulties with regard to information reaching the commercial community in some countries. He therefore supported the points made concerning the importance of technical assistance, where the UNCTAD secretariat had a potential role to play.

146. The **Chairman of the Intergovernmental Group of Experts on Rules of Origin** introduced the Group's report, as contained in document TD/B/SCP/14. The Group's recommendations were realistic and could help revitalize the GSP. The potential for improving the rules of origin was there, and many developing countries had demonstrated their active interest in work on harmonization.

147. The representative of **Bangladesh** proposed that the views expressed in the Special Committee should be communicated to the Technical Committee in WCO so that all views could be taken into account in work on rules of origin.

148. The **Chairman of the Intergovernmental Group of Experts on Rules of Origin** replied that, at the last meeting of the Technical Committee, 80 countries had been represented, and all delegations were invited to participate in the elaboration of new rules of origin. Over the next three years, the UNCTAD secretariat would follow the work of the Technical Committee closely to see to what extent these new rules could serve as a basis for the harmonization of the GSP rules of origin. There would be a discussion at the next session of the Special Committee on what had been done in WCO and WTO.

149. The representative of **India** said that the problem of harmonizing the rules of origin for the various GSP schemes had been on the agenda for a number of years. He asked whether the decision to follow the work of WCO meant giving up any effort to evolve a separate mechanism for harmonizing the GSP rules of origin.

150. The **Chairman of the Intergovernmental Group of Experts on Rules of Origin** said that a distinction had to be made between preferential rules of origin and non-preferential rules of origin. Harmonization work required enormous resources, and this huge task was being undertaken by WCO and WTO. By following this work closely, the UNCTAD secretariat and the rules of origin experts would be able to move forward at the level of preferential rules of origin.

151. A **representative of the UNCTAD secretariat** asked for clarification on the recommendation of the Intergovernmental Group of Experts that improvements and simplification of rules of origin should be sought to facilitate their use by preference-receiving countries.

152. The **Chairman of the Intergovernmental Group of Experts on Rules of Origin** said that this was a window of opportunity for preference-receiving countries. The experts had agreed that, if they were presented with concrete cases where rules of origin significantly or completely impeded exports under GSP, these cases would be looked into with a view to facilitating the utilization of the GSP.

**Action by the Special Committee**

153. At its 7th (closing) plenary meeting, on 27 October 1995, the Special Committee took note of the Chairman's summary (TD/B/SCP/L.9) and adopted the recommendation contained in paragraph 20 of the summary. (For the Chairman's summary, see annex I.)

154. At the same meeting, the Special Committee adopted the draft decision submitted by the Chairman, entitled "Technical modifications to GSP certificate of origin, Form A" (TD/B/SCP/L.10). (For the text of the decision, see annex II.)

**Closing statement**

155. The spokesman for the **Asian Group** (Islamic Republic of Iran) said that the new conditionalities that were emerging, sometimes disguised as incentives, were against the basic principles of the GSP. These new conditionalities and the changes in GSP schemes were alarming to developing countries, whose products were faced with increasing competition and whose comparative advantages were under threat. These changes were not just the result of the Uruguay Round; they were also caused by forces that were opting to change patterns of trade competitiveness in ways unfavourable to developing countries. The Special Committee was a good forum in which to discuss such issues, and UNCTAD must continue its work in the field of trade preferences.

## Chapter II

## ORGANIZATIONAL MATTERS

### A. Opening of the session

156. The twenty-second session of the Special Committee on Preferences was opened by Mr. C. Fortin, Deputy to the Secretary-General of UNCTAD.

### B. Election of officers

(Agenda item 1)

157. At its 187th (opening) plenary meeting, on 23 October 1995, the Special Committee elected its bureau as follows:

| | | |
|---|---|---|
| Chairman: | Mr. C. Mbegabolawe | (Zimbabwe) |
| Vice-Chairmen: | Mr. B. Alipour Tehrani | (Islamic Republic of Iran) |
| | Mr. G.H. Mazal | (Austria) |
| | Mrs. R. Mrabet | (Tunisia) |
| | Mrs. C.L. Rodriguez | (Cuba) |
| | Ms. P. Wennerblom | (Sweden) |
| Rapporteur: | Mr. E. Manakine | (Russian Federation) |

### C. Adoption of the agenda and organization of work

(Agenda item 2)

158. Also at its 187th plenary meeting, the Special Committee adopted its provisional agenda (TD/B/SCP/11) as follows:

1. Election of officers

2. Adoption of the agenda and organization of work

3. Review of the implementation, maintenance, improvement and utilization of the generalized system of preferences, rules of origin and technical assistance

4. Policy review: towards revitalization of the GSP

5. Provisional agenda for the twenty-third session of the Special Committee on Preferences

6. Other business

7. Adoption of the report of the Special Committee on Preferences to the Trade and Development Board

## D. Provisional agenda for the twenty-third session of the Special Committee on Preferences

(Agenda item 5)

159. At its 7th (closing) plenary meeting, on 27 October 1995, the Special Committee had before it a draft provisional agenda for its twenty-third session (TD/B/SCP/L.8).

160. The representative of the **United States** said that it was not essential for the Committee's agenda to be identical from one session to the next. The Committee's twenty-third session was scheduled for after UNCTAD IX, and the Committee's work, if it continued, would have to take account of the outcome of the Conference. The Committee should wait until 1997 before holding any future session, since the autumn of 1996 would be too soon after UNCTAD IX.

161. The representative of **Egypt** said that the question of the information base on the GSP, referred to in paragraph 19 of the Chairman's summary (see annex I), should be referred to in the provisional agenda for the Special Committee's next session.

162. The representative of **India** said that, at its next session, the Special Committee should take up the question of the work of WCO on rules of origin, so that it could see how useful that work was for its own work on GSP rules of origin. As for the duration of sessions of the Special Committee, future sessions could usefully be organized back to back with sessions of another related body in the same week and thus last two and a half days. This might help improve the level of participation in Committee sessions, particularly in the case of developing countries.

163. The **Chairman** said that the next session of the Special Committee would be held after UNCTAD IX, and the dates and duration of the next session would be decided upon then.

164. The **Special Committee** approved the draft provisional agenda with an oral amendment. (For the text of the provisional agenda, see annex III.)

## E. Adoption of the report of the Special Committee on Preferences to the Trade and Development Board

(Agenda item 7)

165. At its 7th (closing) plenary meeting, on 27 October 1995, the Special Committee adopted its draft report (TD/B/SPC/L.7 and Add.1 and 2) and authorized the Rapporteur to complete the text of the report in the light of the proceedings of the closing plenary.

## Annex I

### CHAIRMAN'S SUMMARY

1. The twenty-second session of the Special Committee on Preferences held intensive discussions on the GSP schemes of preference-giving countries, on the policy review of the GSP with the aim of revitalizing it and on the future role and work priorities of the Committee in the context of the preparations for UNCTAD IX. Bilateral consultations were held at the same time which provided a useful opportunity to discuss country-specific concerns.

2. The Special Committee expressed its appreciation for the preparatory work of the expert groups on GSP convened by the secretariat, the Intergovernmental Group of Experts on Rules of Origin, and the secretariat documentation.

3. The Committee agreed that the GSP is fulfilling an important role as a multilateral tool for development. It retains its full validity in the new international trading context, as it enables beneficiary countries to achieve a fuller integration into the world economy. The original objectives and principles of the GSP remain valid. Their full attainment, however, requires strengthening and revitalization of the GSP. Beneficiary countries expressed their appreciation to preference-giving countries for granting GSP benefits, which have made a major contribution to export development and diversification of their economies.

4. The Committee fully recognized the autonomous character of the GSP. The preference-receiving countries also stated that the Uruguay Round Agreements brought about important changes, including the erosion of preferences, that should be taken into account in major revisions of GSP schemes. Certain preference-receiving countries underlined that some of the new changes in GSP schemes preceded changes induced by the Uruguay Round.

5. Preference-receiving countries called upon preference-giving countries to expand product coverage for those sectors that are being fully integrated into the multilateral trading system. Extension of GSP to agricultural products, processed food, textiles, clothing, leather and footwear products would substantially improve the match between GSP benefits and the export capacities of developing countries, in particular the least developed countries. In this connection, preference-receiving countries welcomed the important expansion of coverage of agricultural products by Norway and similar plans of other preference-giving countries for agricultural, textile and clothing products or for wider product coverage in favour of least developed countries. Furthermore, in the light of the results of the Uruguay Round, preference-receiving countries urged preference-giving countries to adjust and deepen GSP tariff margins, where GSP rates are above zero.

6. Delegations furthermore underlined the importance of transparency, stability and predictability of the GSP schemes for attaining the investment and industrialization objective. In that connection, the Committee welcomed the efforts of various preference-giving countries to put their schemes on a longer-term basis.

7. Delegations recognized that the original objective of the GSP was to promote export expansion, industrial development and economic growth and to lead preference-receiving countries to compete in the world market. However, these objectives had not yet been fully achieved by many countries. Preference-receiving countries insisted that graduation measures by individual schemes should be based on objective and transparent criteria. Such criteria should be multilaterally agreed and take account of the overall level of economic and social development of the countries concerned, the share of manufactures in exports, and the degree of export diversification achieved. Import shares should relate to imports from all sources, not only from preference-receiving countries. Preference-receiving countries proposed that the criteria suggested in the secretariat documentation should therefore be considered, as and when graduation measures of any kind are subject to review or newly introduced.

8. Preference-giving countries considered that it would be difficult to arrive at multilaterally agreed criteria for all of them in view of the basic differences in their GSP schemes. One preference-giving country indicated that the intention of the graduation measures was not to measure international competitiveness of a product but the level of industrial development achieved: this could only be done at the sectoral level, even if this implied the exclusion from GSP benefits of products which were not competitive. This delegation confirmed that no further country/sector graduation would be introduced during the four years of validity of the present scheme. Several delegations were of the view that consideration needed to be given to issues involved in defining specific criteria and the level of their application.

9. Some preference-receiving countries underlined that GSP benefits should not be withdrawn abruptly but phased out over time to allow exporters to adjust to the new conditions and that preference-giving countries should also consider possibilities for reversing graduation measures, where such measures lead to a substantial reduction of a country's exports.

10. The Committee discussed the relationship between the GSP and various non-trade objectives, including environmental objectives, social standards, workers' rights, conditionalities related to the protection of intellectual property rights, and others. Certain preference-giving countries maintained that such conditions were fully legitimate, as they were conducive to improving the conditions of workers, children and the population of the beneficiary countries. Another preference-giving country may put into effect in 1998 incentive schemes providing additional GSP advantages for improvements of environmental and social standards with the intention of compensating beneficiaries for the cost of complying with higher standards. Preference-receiving countries, however, raised serious objections, as in their view the GSP was a trade promotion tool; such non-trade objectives were contradictory to its original multilaterally agreed principles and introduced a certain degree of reciprocity. In their view, such linkages also implied a risk that they could be used for protectionist purposes. The preference-giving country concerned explained that incentives, social or environmental clauses, could not be considered as protectionist, as they provided purely additional preferences.

11. Preference-receiving countries considered that predictability of the GSP would be enhanced if tariff ceilings and quotas could be replaced by modulated GSP tariff rates and traditional safeguards in accordance with the relevant WTO provisions. Certain delegations welcomed the fact that the European Union had removed ceilings and quotas and replaced them by modulated GSP tariff rates, in accordance with the sensitivity of the respective products, but emphasized that tariff modulation should provide for commercially meaningful preference margins. One preference-giving country stressed that in order to assess the effects of the preferential modulation system, it was necessary to measure the relative real advantages thereof and not only the apparent benefits. Least developed countries expressed the desire that safeguard measures should not be applied against their exports. Preference-giving countries pointed to the linkage existing between providing the widest possible product coverage of GSP and having the possibility of applying safeguards in unforeseen circumstances.

12. In the debate on the report of the Intergovernmental Group of Experts on Rules of Origin, several preference-receiving countries proposed further the introduction of global cumulation among all recipients and donor country content by those schemes which do not yet apply these concepts. Least developed countries asked for flexibility and further relaxation in their favour of stringent origin requirements and complex administrative procedures However, preference-giving countries argued that the potential to provide wider product coverage and avoid safeguard action depended on rules of origin which ensured that benefiting products effectively originated in least developed countries.

13. Preference-receiving countries indicated their interest in further pursuing the concept of enlarging the scope of the GSP to embrace trade in services and investment, in line with the extension of the multilateral trading system to such new areas, the process of globalization and liberalization, the rising importance of the services sectors for developing countries' economies and the promotion of investment. These new areas offered substantial interesting potential for revitalizing the GSP and adjusting it to the new economic realities. Some preference-giving countries expressed strong doubts that the GSP could be applied to these areas and raised the question of possible duplication with WTO. It was not clear at present in which direction the enlargement of the GSP concept could evolve, so that substantial additional resources risked being engaged in areas without clear prospects of success. These delegations proposed that no further studies be undertaken by the secretariat in these areas. Other delegations proposed that, even if there was no agreement at the present time, these new issues should be kept on the agenda for future discussions.

14. There was broad agreement that special measures for least developed countries needed to be strengthened. Preference-giving countries should, to the maximum extent possible, extend the product coverage of GSP benefits to least developed countries and provide access free of duties, ceilings and quotas. Rules of origin should be improved along the lines of existing arrangements provided by certain preference-giving countries in their favour. Technical cooperation should be particularly focused on least developed countries to enable them to make full use of GSP benefits. It should be

accompanied by complementary measures, such as strengthening of national export promotion measures, and supported by trade promotion agencies of preference-giving countries.

15. Certain delegations restated the need for burden-sharing. In that respect, it was proposed that other countries in a position to do so should also introduce GSP schemes at least in favour of least developed countries. However, it was pointed out that the decision on whether a country is in such a position should be made by the country itself.

16. The Committee expressed its appreciation for UNCTAD's Technical Cooperation Programme on GSP and Other Trade Laws and to donor countries for bilateral assistance and financial contributions to the Programme. They underlined the importance of the UNCTAD Programme for enabling developing countries, in particular the least developed countries, to make full use of GSP benefits, and called upon the secretariat to strengthen its capacities for effective backstopping of that Programme and to adjust its activities to the new international trading rules and to revisions of GSP schemes, as well as to intensify cooperation with other competent organizations, as well as preference-giving countries. Preference-receiving countries invited preference-giving countries and UNDP to provide financial and substantive support to the Programme.

17. Regarding the future role and work of the Committee, there was general agreement about the crucial importance of GSP for beneficiary countries. GSP will therefore continue to be an important activity of UNCTAD. The Committee provided an important forum for consultations and dialogue between preference-giving and preference-receiving countries in the future on the evolution of preference schemes and on policy issues involved.

18. Some delegations raised questions about the frequency and duration of the Committee's meetings and the use of budgetary resources for GSP activities. In this regard, the secretariat provided explanations, as requested.

19. The Committee also discussed priorities for the further work of UNCTAD in the area of the GSP, and, in this regard, some delegations emphasized that the Trade and Development Board should be made aware of these priorities. There was a broad consensus of views that such priorities should include: (i) effective utilization of existing preferences; (ii) further special measures in favour of least developed countries; (iii) strengthening of technical cooperation in coordination with other institutions, particularly in favour of LDCs; and (iv) improvement of the information base on GSP and of channels for dissemination to the enterprises concerned, including the use of information technologies and stronger involvement of GSP focal points and of the trade point system. As far as secretariat work is concerned, the Committee called for the most efficient use of resources.

**RECOMMENDATIONS OF THE SPECIAL COMMITTEE**

20. The Committee endorsed the recommendations contained in the Report of the Intergovernmental Group of Experts on Rules of Origin and recommended that the Trade and Development Board adopt them and arrange for the follow-up.

## Annex II

**DECISION ADOPTED BY THE SPECIAL COMMITTEE AT ITS TWENTY-SECOND SESSION**

Technical modifications to GSP certificate of origin, Form A

The Special Committee on Preferences at its twenty-second session,

Having considered the agreed conclusions of the Intergovernmental Group of Experts on Rules of Origin, as contained in document TD/B/SCP/14,

Agrees that the text annexed hereto should legally take effect from 1 January 1996.

### Annex

PROPOSED AMENDMENTS TO NOTES ON THE BACK OF GSP CERTIFICATE OF ORIGIN, FORM A

1. The following changes are to be made:

   (1) Replace NOTES (1992) with NOTES (1996), on the top of the back of the certificate;

   (2) Under note I

      (a) European Economic Community should be replaced by European Union

      (b) Austria, Finland and Sweden should be listed under the European Union

      (c) Union of Soviet Socialist Republics should be replaced by Russian Federation

      (d) Czechoslovakia should be replaced by Czech Republic and Slovakia

      (e) The Republic of Belarus should be inserted before Republic of Bulgaria

      (f) The United States should have three asterisks after it and a new note identified by three asterisks should be inserted, to read as follows: "The United States does not require GSP Form A. A declaration setting forth all pertinent detailed information concerning the production or manufacture of the merchandise is considered sufficient only if requested by the District Collector of Customs".

(3) Under note III

(a) Austria, Finland and Sweden should be deleted from Note III.3 and European Economic Community should be replaced by European Union;

(b) In Note III.4, Czechoslovakia should be replaced by Czech Republic and Slovakia and USSR by Russian Federation.

2. The above changes to the notes will legally take effect from 1 January 1996.

3. The existing stocks of Form A can be used until 31 December 1997.

4. The new amended Form A may already be printed in 1995.

## Annex III

### PROVISIONAL AGENDA FOR THE TWENTY-THIRD SESSION OF THE SPECIAL COMMITTEE ON PREFERENCES

1. Election of officers

2. Adoption of the agenda and organization of work

3. Review of the implementation, maintenance, improvement and utilization of the generalized system of preferences and rules of origin

4. Special measures in favour of least developed countries, technical assistance and the GSP information base

5. Provisional agenda for the twenty-fourth session of the Special Committee on Preferences

6. Other business

7. Adoption of the report of the Special Committee on Preferences to the Trade and Development Board

## Annex IV

## ATTENDANCE 1/

1. The following States members of UNCTAD were represented at the session:

Algeria
Angola
Argentina
Australia
Austria
Bahrain
Bangladesh
Belarus
Bolivia
Brazil
Bulgaria
Canada
China
Colombia
Côte d'Ivoire
Cuba
Cyprus
Czech Republic
Democratic People's Republic of Korea
Denmark
Ecuador
Egypt
El Salvador
Ethiopia
France
Germany
Greece
Haiti
Honduras
Hungary
India
Indonesia
Iran (Islamic Republic of)
Iraq
Ireland
Italy
Japan
Lebanon
Libyan Arab Jamahiriya
Madagascar
Malaysia
Mali
Malta
Mauritius
Mexico
Morocco
Nepal
Netherlands
New Zealand
Nigeria
Norway
Pakistan
Philippines
Poland
Portugal
Qatar
Republic of Korea
Romania
Russian Federation
Saudi Arabia
Senegal
Slovakia
Spain
Sri Lanka
Sweden
Switzerland
Thailand
Tunisia
Turkey
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
United States of America
Uruguay
Venezuela
Zimbabwe

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1/ For the list of participants, see TD/B/SCP/INF.3.

2. The European Community was also represented.

3. The following specialized agencies were represented at the session:

International Monetary Fund
United Nations Industrial Development Organization

The World Trade Organization was also represented.

4. The following intergovernmental organizations were represented at the session:

Arab Labour Organization
Organisation for Economic Co-operation and Development
Organization of African Unity

5. The following non-governmental organization was represented at the session:

General Category

World Federation of United Nations Associations

- - - - -

كيفية الحصول على منشورات الامم المتحدة

يمكن الحصول على منشورات الامم المتحدة من المكتبات ودور التوزيع في جميع انحاء العالم . استعلم عنها من المكتبة التي تتعامل معها أو اكتب الى : الامم المتحدة ،قسم البيع في نيويورك او في جنيف .

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